MANITOBA FLOODWAY AUTHORITY

2006 ANNUAL REPORT

FOR THE YEAR ENDED

MARCH 31, 2006

Canada

Manitoba Floodway Authority

Manitoba

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TABLE OF CONTENTS

1 **CEO'S MESSAGE**

2 **MANDATE**

2 **MISSION STATEMENT**

2 **VISION STATEMENT**

2 **VALUES**

3 **THE RED RIVER FLOODWAY EXPANSION PROJECT**

3 The Project

3 History

4 The Manitoba Floodway Authority

4 Governance

4 Project Components

5 Project Activities

7 **2005/06 PRIORITIES**

8 **2005/06 MILESTONES AND ACCOMPLISHMENTS**

9 **2005/06 DATES OF SIGNIFICANCE**

10 **2005/06 COMMUNICATION ACTIVITIES**

11 **2006/07 PRIORITIES**

12 **FINANCIAL STATEMENTS**

12 Auditors' Report

13 Balance Sheet

14 Statement of Operations

15 Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba

16 Statement of Cash Flows

17 Notes to the Financial Statements

18 Schedule of Capital Assets

CEO'S MESSAGE

The year 2005/06 was an extremely busy year for the Manitoba Floodway Authority (MFA). The MFA's two main objectives were obtaining environmental approval for the project and preparing for and undertaking the start of construction. I am pleased to report that both of these objectives have been achieved. In July, 2005, MFA obtained Federal authorization and an Environment License under the Manitoba Environment Act from Manitoba Conservation. This approval was the culmination of more than two years of environmental review and public consultation on the project.

Construction on the Red River Floodway Expansion Project was officially kicked off by Premier Gary Doer and former Manitoba Premier Duff Roblin at a groundbreaking ceremony near Grande Pointe, Manitoba on September 23, 2005.

As the CEO of the MFA, I was honoured to hear the words and wisdom of former Premier Roblin. It was his vision, foresight and leadership that resulted in the construction of the original Red River Floodway. Since that time, the floodway has prevented over $10 billion in economic damages, not to mention the widespread social and environmental damage that would have resulted.

Since the groundbreaking, the MFA has been moving ahead with construction on five major components of the project - excavation of the east embankment and the floodway channel from the Inlet to the PTH 59 South Bridge and construction of the Trans-Canada Highway East Bridge, the PTH 59 South Bridge and the Sprague Railway. This work has increased the level of flood protection from 1-in-90 to 1-in-140 year flood protection. By the spring of 2007, this will be further increased to 1-in-300, or equivalent to the largest flood in Manitoba history – the 1826 flood.

MFA has continued to move forward on the project, which has included final design engineering, tendering of construction work and project administration.

In the upcoming year, the MFA will continue to focus its efforts on improving flood protection while protecting the environment. At the same time, we look forward to working with Manitobans to leave a long lasting legacy for future generations.

Ernie Gilroy
Chief Executive Officer

MANDATE

As stipulated in the Manitoba Floodway Authority Act:

5(1) The Manitoba Floodway Authority mandate is to:

a) expand the capacity of the floodway;

b) ensure that the expansion is carried out in a manner that provides increased benefits to the community;

c) enhance the benefits the floodway will provide to the community

d) maintain the land and structures that make up the floodway;

The Act also outlines the responsibilities of the MFA in fulfilling its mandate:

5(2) In carrying out its mandate, the Manitoba Floodway Authority is to:

a) obtain all approvals required for floodway expansion

b) retain the services of persons to perform work on the floodway expansion and support training for persons working on the floodway expansion

c) co-ordinate and supervise work on the floodway expansion; and

d) establish arrangements with the Department of Water Stewardship to co-ordinate the floodway expansion with the department's ongoing operation of the floodway

MISSION STATEMENT

- To provide the maximum flood protection to the most people while respecting our neighbours and the environment.

- To provide excellence in project management by demonstrating sound financial management, achieving project guidelines, following an inclusive people management philosophy, encouraging innovation and maximizing economic benefits.

VISION STATEMENT

- A global leader in engineering and project management through people, innovation, integrity and quality.

VALUES

- Trust, respect, ingenuity, integrity and participation are the core values that will guide corporate behaviour to achieve global leadership in engineering and project management.

THE RED RIVER FLOODWAY EXPANSION PROJECT

The Project

The Red River Floodway Expansion Project will increase flood protection for residents of the City of Winnipeg, East St. Paul and West St. Paul. Once completed the project will protect an additional 450,000 Manitobans, over 140,000 homes, over 8,000 businesses, and prevent more than $12 billion in damages to the provincial economy in the event of a 1-in-700 year flood.

The floodway operates by diverting a portion of the Red River floodwaters around Winnipeg through the floodway channel immediately south of Winnipeg back to the Red River near Lockport. Prior to the start of the project, the floodway provided a 1-in-90 year flood protection while an expanded floodway will increase this level of protection to 1-in-700. It is estimated that the risk of Winnipeg flooding with the existing floodway is 37 percent over the next fifty years and with an expanded floodway this risk is reduced to 7 percent.

On September 23, 2005, construction of the Red River Floodway Expansion Project was officially kicked off by Manitoba Premier Gary Doer and former Premier Duff Roblin at a historic groundbreaking ceremony along the floodway near Grand Pointe, Manitoba. To date, work on five major components - excavation of the Floodway Embankment East of Grande Pointe, excavation of the Floodway Channel from the Inlet to the PTH 59 South Bridge, replacement and upgrade of the Trans-Canada Highway Bridge, the PTH 59 South Bridge and the Sprague Railway Bridge – has begun and are proceeding on schedule. With this work underway approximately 150 people are working on the project on a daily basis.

History

Over the years, Manitobans, especially residents of the Red River Valley and the City of Winnipeg, have experienced the devastation of spring floods first hand. Significant Red River flooding in 1950, 1966, 1979, 1996, and, in particular 1997 – when the Floodway came within inches of its limit – reinforced this reality and the need to prepare for larger floods in the future.

Following the 1997 Red River "Flood of the Century", extensive studies and consultations were conducted to identify and evaluate alternatives to improve flood protection for the Winnipeg area. The International Joint Commission (IJC) reviewed flood protection and concluded that the "risk of failure of Winnipeg's existing flood protection infrastructure is high under flow condition similar to or greater than those experienced in 1997." In the IJC's final report, *Living with the Red*, the IJC called for the highest flood protection that can be economically justified or at least sufficient protection to deal with an event similar to the 1826 flood. At the same time, Canada and Manitoba invested $110 million to improve flood protection in communities in rural Manitoba.

After reviewing all the facts and options, the federal and provincial governments chose the expansion of the current floodway as the most cost-effective and viable solution. As a result, the Government of Canada has recognized the project as a national priority and has partnered with the Province of Manitoba to expand the floodway to protect against a 1-in-700 year flood.

On April 3, 2003, the governments of Canada and Manitoba announced $80 million each towards the Red River Floodway expansion project. In August, 2003, the Government of Canada declared the expansion of the floodway as a national priority project under the Canada Strategic

Infrastructure Fund. At the same time, Canada and Manitoba increased their commitments to the project by $40 million each.

On December 8, 2003, Canada and Manitoba announced the signing of a $240 million joint funding agreement to support the first phase of the expansion project.

The Manitoba Floodway Authority (MFA) was established by the Government of Manitoba through the Floodway Authority Act to act as an independent crown agency whose mandate is to manage the construction of the floodway project. Since its inception, the MFA has worked on project design and securing environmental approval for the project. In July, 2005, MFA received environmental approval and federal authorization to allow the project to proceed. Subsequently, in September, construction on the project officially commenced on the project and since that time, the MFA has been managing and coordinating construction on all of the components of the project.

The Manitoba Floodway Authority

The Manitoba Floodway Expansion Authority (MFEA) was established by the Government of Manitoba in October, 2003, as an incorporated interim agency to prepare for the expansion of the existing Red River Floodway. In March 2004, the Province of Manitoba introduced the Floodway Authority Act to establish the Manitoba Floodway Authority (MFA) and outline its responsibilities as a separate, independent, publicly accountable agency to manage the design, construction, and maintenance of the expansion. Specific responsibilities of the MFA include ongoing project pre-design and engineering, environmental assessment and licensing and identification of potential economic and recreational possibilities that may result from the project. On November 1, 2004, the Floodway Authority Act received Royal Proclamation and the MFA was officially established as a crown agency, assuming the operations of the MFEA.

Governance

On November 1, 2004, a Board of Directors for the Manitoba Floodway Authority (MFA) was established consisting of senior civil servants including Secretary of the Community Economic Development Committee (CEDC), the Secretary to Treasury Board, the Deputy Minister of Intergovernmental Affairs and Trade, Finance, Advanced Education and Training, and Water Stewardship. The role of the Board is to oversee the operations of the MFA as it manages and coordinate the environmental assessment process, project engineering, and construction on the floodway expansion project.

Project Components

The MFA is responsible for expanding the Red River Floodway. Floodway expansion involves a major expansion of the existing flood protection system including excavation of the floodway channel, the replacement and upgrading of highway and rail bridges that cross the floodway, modifications to the inlet and outlet structures, utilities and services and improvements to the West Dike. Floodway expansion will more than double the amount of water diverted around Winnipeg by increasing the capacity of the floodway channel from 1,700 cubic metres (60,000 cubic feet) of water per second to 4,000 cubic metres (140,000 cubic feet) per second.

- **Project Design and Environmental Assessment (PDEA)** – Preliminary design studies were required to be completed that will be refined to define the project in detail and assess the environmental impacts. This component has included an environmental licensing

process including public consultation, establishment of an Environmental Impact Statement (EIS) and financial support for the licensing process including provision for the Clean Environment Commission public hearings, and participant assistance funding.

- **Final Design** – Final design engineering is proceeding based on the PDEA process to define and identify the detailed design of the project and to incorporate environmental mitigation measures identified during the PDEA stage.

- **Administration** – Ongoing administration costs for the Manitoba Floodway Authority (MFA) including operations, insurance, establishment of site office etc.

In addition, Project Components that will be undertaken over the life of the project include:

- **Excavation** – The floodway channel will be enlarged, primarily in width, by varying amounts along its 48 kilometre (30 mile) length. The total volume of excavation is estimated to be 21 million cubic metres (27 million cubic yards). The outlet channel will be expanded and reshaped to permit the increased floodway flow to re-enter the Red River with minimum impact on the riverbanks. As required and appropriate by the expansion, drainage structures, transmission lines, miscellaneous crossings (including pipelines) and the Aqueduct under the floodway, will be extended, adjusted or replaced.
- **Outlet Structure** – The east retaining wall of the existing structure will be demolished, and the Outlet Structure will be widened approximately 52 meters (170 feet) towards the east. A new concrete retaining wall will be constructed, and the riverbank fortified appropriately.
- **Inlet Control Structure** – The improvements required includes: the selective placement of additional riprap on the downstream slopes and upstream face of embankments adjacent to the concrete structure to protect them from erosive damage; installation of a fire protection system, addition of redundant emergency backup electrical and mechanical systems, and refurbishment of the Gate Control servo motors.
- **Road and Rail Bridges** – Highway Bridges over the floodway channel will be replaced with new structures configured to minimize hydraulic interference. Railway Bridges will be raised and rehabilitated.
- **Expansion of the West Dike** – The freeboard of the existing West Dike, which extends over 45 kilometres (28 miles) the Floodway Inlet Control Structure and ties into high ground at the west side of the Red River Valley, will be increased and the length of the Dike will be extended. The dike will be increased in height in varying amounts up to 1.5 metres (6 feet), and extended beyond the current location at the west end by between 10 kilometres (6 miles) and 15 kilometres (9 miles) in length. Once completed, the West Dike will be capable of protecting against from a 100 year wind storm which could occur concurrently with a 700 year Red River Flood.

Project Activities

On an ongoing basis, MFA will continue to focus on the following activities as the project proceeds:

- **Construction Tenders** – Tendering of construction to undertake and support the first five major components of the project was required including:
  - Floodway East Embankment Gap
  - Channel Excavation from Inlet to PTH 59 South Bridge

- TCH #1 Highway Bridge
- PTH 59 South Bridge
- Sprague Railway Bridge
- Highway Detours
- Highway Barriers Contract
- Temporary Bridge Steel Girders
- Highway Girders Contract
- Pre-cast Pier Segments
- Temporary Detours (Sprague Bridge)

- ***Project Management*** – MFA will manage construction work on the project. As part of this responsibility, MFA will ensure that workers and contractors comply with the conditions outlined in the Project Management Agreement for the project. MFA will also be responsible for the managing and implementing the Employment Equity Strategy (i.e., including the Floodway Training Initiative).
- ***Ongoing Communications*** – MFA is committed to ongoing communications throughout the life of the project to promote the project, recognize the partnership and contribution of both levels of government and maximize the level of visibility and importance of the program for all Manitobans.
- ***Ongoing Public Outreach and Consultation*** – MFA is committed to ongoing consultation with local municipalities, non-government organizations, Aboriginal and other equity groups, labour and the construction industry as the project proceeds.

2005/06 PRIORITIES

For **2005/06**, the strategic priorities identified by the Manitoba Floodway Authority were:

The Floodway Expansion Project

- **Ongoing Final Design Engineering** – Final design engineering will be ongoing throughout 2005/06 and is anticipated to be completed in 2006/07.
- **Establishment of a Site Office** – MFA plans on establishing a site office in the vicinity of the floodway to assist in the management of the project.
- **Commencing Construction** – MFA anticipates issuing its first construction tender for the project to permit construction to begin in the summer of 2005.

Environmental Licensing

- **Obtaining an Environmental Approval** – MFA anticipates receiving an environmental license under the Manitoba *Environment Act* from Manitoba Conservation as well as authorization from the Government of Canada to proceed with construction on the floodway expansion project. MFA will also be establishing monitoring procedures to ensure compliance with environmental licensing conditions.

Public Consultation

- **Ongoing Public Consultation** – MFA will continue to consult with Manitobans on the project as the project moves forward and is considering the establishment of community liaison committees.

Funding

- **Securing Additional Funding** – Discussions between MFA, Manitoba and Canada are anticipated to resolve the issues related to the outstanding financial commitments for the project.

2005/06 MILESTONES AND ACCOMPLISHMENTS

The Floodway Expansion Project

- Completed the pre-design of the floodway expansion project
- Commenced final design engineering on the project
- Established Floodway Site Office in the vicinity of the floodway to assist in project management

Construction

- Undertook construction of the East Embankment Gap near Grande Pointe, Manitoba
- Undertook channel excavation from the Inlet Structure to the PTH 59 South Bridge
- Undertook construction of the Trans-Canada Highway East Bridge
- Undertook construction of the PTH 59 South Bridge
- Undertook construction of the CN Sprague Railway Bridge

Environmental Licensing

- Obtained Federal Authorization to allow project to proceed on July 8, 2005
- Obtained an Environment License under the Manitoba Environment Act on July 8, 2005
- Establish groundwater protection protocols to address any potential floodway construction impacts
- In November, 2005, established a 24/7 Groundwater emergency telephone line for the public

Public Consultation

- Announced a 10 Point Plan on Public Involvement
- Undertook another round of consultations with rural municipalities
- Continued to meet with local governments, special interest groups and other interested parties on the floodway expansion project
- Distributed 60,000 MFA newsletters on the project
- Updated the Manitoba Floodway Authority Website (www.floodwayauthority.mb.ca)
- Consulted with Rivers West to support a Recreation Study on future use of an expanded floodway

Funding

- Confirmed $240 million from Canada and Manitoba to support Floodway Expansion project.
- Received Federal Government approval to proceed with a 1-in-700 year project as a full floodway expansion project
- Ongoing discussions regarding the outstanding financial commitment from Canada.

2005/06 DATES OF SIGNIFICANCE

• May 4, 2005	Infrastructure Canada Instructs MFA to proceed with $665 million Project
• May 6, 2005	5-Year Construction Tender Plan Unveiled
• May 20, 2005	Federal Government Screening Report Released
• June 10, 2005	Clean Environment Commission Releases Report on the Floodway Project
• July 11,2005	Government of Canada issues authorization for floodway expansion project
• July 11, 2005	Manitoba Conservation issues Environmental Act License for floodway project
• September 23, 2005	Historic Groundbreaking Announcement to mark start of Construction
• August 6, 2005	First Excavation Contract Awarded to Strilkiwski Contracting and Nelson House Forest Industries
• August 19, 2005	LaFarge Canada Awarded Highway Bridge Girder Contract
• November 10, 2005	PCL Contractors Awarded Contract for PTH 59 South Bridge
• October 28, 2005	MD Steele Awarded Contract for the Trans-Canada Highway Bridge
• November 17, 2005	MFA unveils Groundwater Action Response Line and 24/7 Toll Free Line
• November 28, 2005	Erickson Construction Awarded Channel Excavation Contract
• January 8, 2006	Deadline for Submission of Requirements as outlined in Environment Act License
• March 2, 2006	MFA Invites Manitobans to Express Interest in Excavated Earth

2005/06 COMMUNICATION ACTIVITIES

• April 4, 2005	MFA Announces New Signpost Advising Public of Boating Upstream of Inlet
• April 15, 2005	TetrES Consultants Inc. Recognized for Work on Floodway Expansion Project
• April 28, 2005	Two Consortiums of Manitoba Engineering Firms Awarded Contract on Floodway Project
• May 6, 2005	Floodway Authority Unveils Five Year Construction Tender Plan
• May 20, 2005	Floodway Authority Welcomes Federal Report on Expansion Project
• May 27, 2005	First Construction Tender to be Issued for Floodway Expansion Project
• June 2, 2005	Mapping Confirms Expansion Project Will Not Cause Artificial Flooding
• June 3, 2005	Second Tender Issued for Floodway Expansion Project
• June 16, 2005	Third Tender Issued for Floodway Expansion Project
• July 11, 2005	Floodway Expansion Project Receives Green Light to Begin Construction
• July 20, 2005	Floodway Job Referral Service Launched
• July 29, 2005	Flood Simulation Project Available to the Public On-Line
• August 5, 2005	Barkman Concrete Names Successful Bidder to Supply Concrete Barriers for Floodway Expansion Project
• August 8, 2005	First Excavation Contract Awarded to Manitoba Joint Venture
• August 9, 2005	Floodway Authority Outlines 10-Point Plan for Ongoing Public Consultation
• August 18, 2005	Floodway Authority Issues First Bridge Construction Tender
• August 19, 2005	LaFarge Canada Awarded Contract on Floodway Expansion Project
• September 8, 2005	Major Bridge Construction Tender Issued as Part of Floodway Expansion Project
• September 20, 2005	Floodway Authority Issues Tender For Main Floodway Channel Excavation
• September 23, 2005	Historic Announcement Commemorates Start of Construction of the Red River Floodway Expansion Project
• November, 2006	24/7 Groundwater Telephone Line and Groundwater Action Response Plan Estab' ,hed
• November 10, 2005	First Hignway Bridge Construction Project Underway as Part of Floodway Expansion Project
• November 17, 2005	Public Notice – Floodway Construction and Groundwater Action Response Plan
• November 28, 2005	Erickson Construction Awarded Tender for Floodway Channel
• March 2, 2006	Floodway Authority Invites Manitobans to Express Interest in Excavated Earth

2006/07 PRIORITIES

For **2006/07**, the MFA had identified the following strategic core and emerging priorities:

Floodway Expansion Project

- **Completion of Final Design** – MFA anticipates completing the final design and contract administration for the project in 2006/07.
- **Aboriginal Set-Aside Initiative** – MFA will be establishing an Aboriginal Set-Aside for the West Dike project in an effort to help address the future skilled labour shortage and to provide economic development opportunities for the Aboriginal construction industry.
- **Recreation** – Ongoing discussions on the future of an expanded floodway

Construction

- **Maintaining Construction Schedule** – Maintaining the construction schedule including work already underway:
  - East embankment notch
  - Channel Excavation (Inlet to Highway 59 South Bridge)
  - PTH 59 South Bridge
  - Trans-Canada Highway Bridge
  - CNR Sprague Railway Bridge

  Commence construction on new components, focusing on channel excavation, including:
  - Channel Excavation (Highway 59 South to Highway 59 North)
  - City of Winnipeg Aqueduct
  - West Dike
  - CN Redditt Railway Bridge
  - Utility Modifications

Environmental Licensing

- **Ongoing Environmental Commitment** – Ensuring ongoing compliance with conditions outlined in the Manitoba Environment Act License and Federal Government authorizations.

Funding

- **Ongoing Discussions** – Obtaining commitments from Canada and Manitoba regarding the outstanding funding for the floodway expansion project.

AUDITORS' REPORT

To the Minister of Finance of the
Province of Manitoba and the Directors of the
Manitoba Floodway Authority

We have audited the balance sheet of the **Manitoba Floodway Authority** as at March 31, 2006 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst • Young LLP

Winnipeg, Canada
June 21, 2006.

Chartered Accountants

Manitoba Floodway Authority
Balance Sheet
As at March 31, 2006

	2006	2005
ASSETS		
Current Assets		
Funds on deposit with Minister of Finance	$ 22,349,624	$ 424,960
Amounts Receivable - Province of Manitoba	1,135,789	-
Total Assets	$ 23,485,413	$ 424,960
LIABILITIES and EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities		
Capital	$ 11,049,428	$ -
Operating	83,372	309,851
Province of Manitoba	808,758	-
Interest payable	173,606	-
Due to the Province of Manitoba (Note 3b)	11,370,249	115,109
	23,485,413	424,960
Total Liabilities	$ 23,485,413	$ 424,960

Contractual Obligations and Contingencies (Notes 6 and 9)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:

Manitoba Floodway Authority
Statement of Operations
Year ended March 31, 2006

	2006	2005
Expenses		
Salaries and Benefits	$2,229,318	$ 1,753,924
Other Operating Expenses		
Transportation	72,485	30,691
Communications	133,964	172,324
Supplies and Services	1,291,933	409,107
Debt Servicing	801	29,000
Minor Capital	435,683	138,351
Other Operating	258,626	238,780
	2,193,492	1,018,253
Total Expenses	4,422,810	2,772,177
Recoveries		
Capital Assets under Construction on behalf of the Province	3,729,044	2,231,332
Operating Grants, Province of Manitoba (Note 5)	693,766	540,845
	4,422,810	2,772,177
Net Operating Results	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba
Year ended March 31, 2006

	2006	2005
Funding from the Province of Manitoba (Note 4)	$58,274,527	$9,854,899
Capital Expenditures by Component (Note 4):		
Administration	3,729,044	2,231,332
Contract Administration	1,024,055	-
Final Design	10,413,530	2,150,407
Floodway Channel	6,062,190	-
Insurance	4,591,900	-
Interest	403,349	144,469
Land	300	-
Project Description and Environmental Assessment	336,875	5,328,691
Railway Bridges	6,807,123	-
Roadway Bridges	22,961,563	-
Utility Relocations	1,944,598	-
	58,274,527	9,854,899
Net Expenditures	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Statement of Cash Flows
Year Ended March 31, 2006

	2006	2005
Operating transactions		
Net operating results	$ -	$ -
Net changes in non-cash working capital balances related to operations		
Accounts receivable - Province of Manitoba	(344,422)	-
Accounts payable and accrued liabilities	(226,479)	172,225
Cash provided by (used in) operating transactions	(570,901)	172,225
Financing transactions		
Due to the Province of Manitoba	11,255,140	115,109
Capital transactions		
Capital assets constructed on behalf of the Province	(58,274,527)	(9,854,899)
Net changes in non-cash working capital balances related to capital		
Accounts receivable - Government of Canada	-	25,266
Accounts receivable - Province of Manitoba	(791,027)	137,626
Accounts payable and accrued liabilities	11,858,186	931,904
Interest payable	173,606	-
Contributions related to capital assets	58,274,527	8,897,729
Cash applied to capital transactions	11,240,765	137,626
Increase in funds on deposit with Minister of Finance	21,925,004	424,960
Funds on deposit with Minister of Finance, beginning of year	424,960	-
Funds on deposit with Minister of Finance, end of year	$ 22,349,964	$ 424,960

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Notes to the Financial Statements
For the Year ended March 31, 2006

Note 1 - Nature of Operations

The Manitoba Floodway Authority Act was proclaimed into effect November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (the Authority) and dissolved the Manitoba Floodway Expansion Authority Inc. (MFEA) which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for $1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Purchased capital assets in excess of $10,000 are recorded at cost and are amortized on a straight line basis according to their estimated useful life. Purchases under $10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province.

Pension Plan

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the lengths of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to $95,250 (2005 - $65,100).

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Financial Instruments

Financial instruments include funds on deposit with the Minister of Finance, amounts due to the Province of Manitoba, accounts payable and accrued liabilities. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Note 3 - Working Capital Advance and Due to the Province of Manitoba

a) Working Capital Advance

The Manitoba Floodway Authority is included under the provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance. The advances are repayable on demand at the option of the Lieutenant Governor in Council. A maximum line of credit of $5 million has been established. At March 31, 2006, there were no advances outstanding.

b) Due to the Province of Manitoba

In addition, the Authority may receive advances of approved funding from the Province. At March 31, 2006, $11,370,249 (2005, $115,109) was payable to the Province.

Note 4 - Capital Assets Constructed on behalf of the Province of Manitoba

As an agent of the Province, capital expenditures incurred and transferred to the Province during 2006 and 2005 are as follows:

	2006	2005
Administration	$3,729,044	$2,221,332
Contract Administration	1,024,055	-
Final Design	10,413,530	2,150,407
Floodway Channel	6,062,190	-
Insurance	4,591,900	-
Interest	403,349	144,469
Land	300	-
Project Description and Environmental Assessment	336,875	5,328,691
Railway Bridges	6,807,123	-
Roadway Bridges	22,961,563	-
Utility Relocations	1,944,598	-
Total	**$58,274,527**	**$9,854,899**

Note 5 - Transactions related to Operations and Capital

The Province has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

During the year, funding of $29,186,603 (2005, $4,919,592) was received from the Government of Canada. Recoveries of $28,842,008 (2005 $4,658,228) related to capital expenditures are reflected in the Operating Fund of the Province of Manitoba. Recoveries of $344,595 (2005, $261,364) related to operating expenses are reflected in the operations of the Authority.

Note 6 – Contractual Obligations

As an agent of the Province the Authority has entered into various contracts in the stages of the Floodway expansion project. Contractual obligations relating to the project total approximately $122,831,122 at March 31, 2006 (2005 - $493,600).

Contractual obligations for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next three years are as follows:

2007	$151,458
2008	151,458
2009	75,729

Note 7 - Economic Dependence

The Authority is economically dependent on funding received from the Province of Manitoba.

Note 8 – Public Sector Compensation Disclosure

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited statement available on request.

Note 9 - Contingencies

A claim and other appeals relating to the granting of an environmental license to the Authority have been filed. No amount has been accrued in the financial statements as the outcome of these matters is not determinable at this time.

Manitoba Floodway Authority
Schedule of Capital Assets
As at March 31, 2006

	Cost	Federal Contributions	Cost net of Federal Contributions	Accumulated Amortization	2006 Net Book Value
Land	$ 6,975,528	$ -	$ 6,975,528	$ -	$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure -					
Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
	64,002,351	32,059,155	31,943,196	19,300,312	12,642,884
Assets Under Construction - 2004	850,424	-	850,424	-	850,424
Assets Transferred from the Province March 31, 2004	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Manitoba Floodway Authority - Assets Under Construction - 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
Capital Assets at March 31, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Assets Transferred to the Province April 1, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Capital Assets at March 31, 2005	-	-	-	-	-
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2005	$ 9,854,899	$ 4,658,228	$ 5,196,671	$ -	$ 5,196,671
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2006	$ 58,274,527	$ 28,842,008	$ 29,432,519	$ -	$ 29,432,519